

OFFICE OF THE GOVERNOR
BUDGET AND PROGRAM PLANNING
STATE OF MONTANA

BRIAN SCHWEITZER
GOVERNOR



PO Box 200802
HELENA, MONTANA 59620-0802

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0 Attachments

M E M O R A N D U M

TO: Directors, Centralized Services Administrators & Interested Parties

FROM: David Ewer, Budget Director
Office of Budget and Program Planning

DATE: February 13, 2006

SUBJECT: EXECUTIVE PLANNING PROCESS FOR THE 2009 BIENNIUM

The 2009 biennium executive planning process (EPP) is underway. Agencies need to submit all EPP requests by May 1 and budget requests between August 23-31, 2006. Preparation of the Governor's 2009 biennium Executive Budget is a key opportunity for Governor Schweitzer to continue his vision of state government including: (1) Jobs and Economic Vitality, (2) Education, (3) Strengthening Montana's families, and (4) Sustainability. I challenge you to be innovative, not only pertaining to issues within your own agency, but in finding solutions to problems or improving efficiency and effectiveness of processes that cross agency lines. One-time expenditures to address these types of solutions may be considered.

There should be an open dialog between the agency, OBPP, and Governor's policy staff through the EPP and subsequent Budget Development process. In addition, use the resources of the staff of the Department of Administration Information Technology Division to help evaluate new ideas and innovation solutions for improved efficiency and effectiveness in the delivery of state services. My staff and I look forward to working with all of you in evaluating and developing a 2009 biennium Executive Budget that will reflect the vision of Governor Schweitzer.

Please note a new requirement for Information Technology requests - the issuance of a Request for Information – described on page 11 of these instructions.

Training and Resources

The OBPP, the LFD (Legislative Fiscal Division), and SABHRS have cooperatively contracted for improvements and minor revisions to the MBARS (Montana Budget Analysis and Reporting System). Refresher training and discussion of EPP and budget request instructions will be conducted by the OBPP. Also, the LSD (Legislative Services Division) will provide bill drafting training again. Training opportunities related to preparation for the next legislative session will include:

EPP/MBARS training by the OBPP February 14-15, State Capitol

Bill Drafting training conducted by the LSD to be scheduled in June

Budget Request/MBARS training by the OBPP August 14,15,16

Fiscal Note training by the OBPP December 11-12, State Capitol

Reference the MBARS user guides for additional technical preparation instructions. The MBARS training information can be found through the state MINE page through this link:

[MBARS Users Guides](#)

All of the OBPP memos, training guides and instructions are available on guest and on the Internet under: <http://mt.gov/budget>.

Definitions of Terms

1. **Base Budget** means "the resources for the operation of state government that are of an ongoing and nonextraordinary nature in the current biennium. The base budget may not exceed that level of funding authorized by the previous legislature." [17-7-102(4), MCA] The base budget for 2009 biennium budget development and analysis purposes will be: the combined level of ongoing expenditures using FY 2006 actual expenditures from authority contained in HB 2, HB 447 and other permanent appropriations bills. [For informational purposes, the FY 2007 authorized budget comparable to the FY 2006 base also will be shown in certain budget and analysis tables, i.e., the same appropriations bills adjusted for one-time, continuing, statutory and language authority.]
2. **Present Law Base (PL)** means "that level of funding needed under present law to maintain operations and services at the level authorized by the previous legislature, including but not limited to: (a) changes resulting from legally-mandated workload, caseload, or enrollment increases or decreases; (b) changes in funding requirements resulting from constitutional or statutory schedules or formulas; (c) inflationary or deflationary adjustments; and (d) elimination of nonrecurring appropriations." [17-7-102(10), MCA]
3. **New Proposals (NP)** means "requests to provide new nonmandated services, to change program services, to eliminate existing services, or to change sources of funding. For purposes of establishing the present law base, the distinction between new proposals and the adjustments to the base budget to develop the present law base is to be determined by the existence of constitutional or statutory requirements for the proposed expenditure. Any proposed increase or decrease that is not based on those requirements is considered a new proposal." [17-7-102(9), MCA]
4. **One-Time-Only Appropriations (OTOs)** refers to funding authorized by the previous legislature which was assigned a separate subclass by the OBPP due to a statement of legislative intent that a specific amount of the funding/FTE was not to be included in the base budget for the next biennium or because the authority was administratively created.
5. **Reporting Levels (RLs)** are a tool used to group expenditure and budget data for reporting and analysis. There are up to seven (7) different levels within a given RL, designated by a sixteen-digit string. Level 4 (RL4) is the analytical level at which agencies submit budgets and at which both the OBPP and LFD analyze, adjust, and maintain approved data. RLs are used sparingly for clearly-defined functions within a state government program, primarily when funding sources and/or

constraints are different for that function than for other functions within the program, but also to distinguish HB 2, proprietary, and statutory authority. Mapping each budget organization/project to a 16-byte RL string will be required for budget development. In a few large, complex programs some functional areas may be significant enough to be isolated at RL3 for printing as informational tables in the EB or the LFD budget analysis. Agencies will complete the final agency/OBPP/LFD agreement on reporting level strings in May. If any high-level negotiated agreements are required, they will be completed by May 15 and final decisions on what will be printed in the budget/analysis publications will be due at the same time. RL maintenance will be required through FYE whenever new orgs and project grants are created.

Implementation of Definitions

Discussion of Base Budget

For purposes of developing the **Base Budget** for the 2009 biennium Executive Budget, the OBPP will work with each agency and the LFD to reach a consensus on which adjustments need to be made to the combined HB 2/HB 447(pay plan) and ongoing levels of funding for cat and dog bills authorized by the previous legislature for FY 2006. The actual FY 2006 expenditures, adjusted based upon these decisions, will be used in the EB tables and analysis for the FY 2006 base budget. The shared objective of the OBPP, the agencies, and the LFD is to achieve total agreement on the base budget for each agency. Based upon legislative action for each agency, and subsequent agency transactions, adjustments may include any or all of the following:

1. **Reorganization** - The base budget will include all agency reorganizations **submitted to the OBPP by April 1, 2006** and subsequently approved. If a reorganization is pending, it is important to complete the transaction documents by this date in order to provide consistent program fiscal information for legislative consideration. **Reorganizations requested after April 1 will NOT be processed.**
2. **Program Transfers** - The base budget will include FY 2006 program transfers (PTs).
3. **Appropriations from other Bills** - All permanent FTE and funding originally authorized in other appropriations bills that were rolled into HB 2 last session will remain in the HB2/447 operating budgets by program whenever ongoing functions with no termination date were created. There may be a few other stand-alone cat and dog bills that created permanent FTE and funding which will need to be included in the base budget.
4. **Encumbrances (A-accruals)** – Encumbrances as recorded in SABHRS are included in the base. During EPP, the agency will be responsible for preparing present law DPs to take out equipment and other one-time items that may be encumbered. The OBPP analyst will review the encumbrances with you and may create additional reduction DPs if needed.
5. **Reviewing Statutory, Language, and OTO Authority** - Statutory appropriations will require separate RL4s. OTOs will be excluded from agency program tables, but will be included in MBARS for the EB balance sheet and certain tables. Carry-forward authority established in accordance with 17-7-304, MCA, for whatever purpose is considered OTO, as is all language, all administratively established authority, and most cat and dog bills. OBPP will send out a list of the OTOs for review and concurrence. The list will be reviewed by the agency and both the OBPP and LFD analysts. The target date for completion is May 15.
6. **Biennial Appropriations** – Actual FY 2006 expenditures of biennial appropriations will be included in the FY 2006 base budget. The balance of a biennial appropriation will be shown in the FY 2007 authorized budget column.

Biennial appropriations should be estimated between fiscal years as the agency anticipates that the funds would be spent. Please do not put the entire appropriation in the first year unless the agency anticipates spending the entire amount in the first year. Adjustments can be made with a BCD later, if the agency needs to move funds into the first year of the biennium from a biennial appropriation.

7. **Proprietary Funds** - Passage and approval of HB 576 in 1995 eliminated the requirement that internal service and enterprise funds collected in return for the provision of a service or product be appropriated. Liquor and Lottery are budgeted in HB 2 again, based on subsequent legislative decisions. In lieu of appropriation for all other proprietary funds, 17-8-101, MCA, states:

“(6) Fees and charges for services deposited in the internal service fund type must be based upon commensurate costs. The legislative auditor, during regularly scheduled audits of state agencies, shall audit and report on the reasonableness of internal service fund type fees and charges and on the fund equity balances.

“(7) The creation of accounts in the enterprise fund or the internal service fund must be approved by the department (of Administration), using conformity with generally accepted accounting principles as the primary approval criteria. The department shall report annually to the office of budget and program planning and the legislative finance committee on the nature, status, and justification for all new accounts in the enterprise fund and the internal service fund.

“(8) Enterprise and internal service funds must be appropriated if they are used as a part of a program that is not an enterprise or internal service function and that otherwise requires an appropriation. An enterprise fund that transfers its ending fund balance to the general fund is subject to appropriation. The payment of funds into an internal service fund must be authorized by law.”

The form of the Executive Budget required by 17-7-123(1), MCA, includes:

“(f) A report on:

(i) enterprise funds..., including retained earnings and contributed capital, projected operations and charges, and projected fund balances; and

(ii) fees and charges in the internal service fund type, including changes in the level of fees and charges, projected use of the fees and charges, and projected fund balances. Fees and charges in the internal service fund type must be approved by the legislature in the general appropriations act effective for that biennium. Fees and charges in a biennium may not exceed the level approved by the legislature in the general appropriations act effective for that biennium.”

Proprietary functions funded by HB 2 may be included in a RL4 with other HB 2 funds or may have a separate RL4. Proprietary functions funded outside HB 2 must have a distinct RL4. In accordance with 17-8-101(8), MCA, the EB program tables will show only those proprietary funds that are part of a program that requires an appropriation. **For EPP purposes, if planned actions would affect the rates charged to budgeted programs, then the action requires an EPP request.** The rate approved by the legislature for the 2007 biennium will be present law base, as will the three adjustments common to all agencies, discussed immediately below, i.e., personal services, inflation/deflation and fixed costs. Any issue that changes the legislatively-adopted rate for those internal service funds that are not considered a fixed cost must be submitted during the EPP process.

Guidelines for submission of **enterprise and internal service funds funded outside HB 2** will be distributed by the OBPP May 1. Plans call for the OBPP and DofA accounting staff to copy the adjusted combining balance sheet data for FY 2004 and FY 2005 from the Comprehensive Annual Financial Report into the fund balance information form. Plans call for the unadjusted FYE 2006 SABHRS data to be entered as well, for adjustment by agencies and accounting, but the base year data plan will be discussed further between now and issuance of the guidelines on May 1. Agencies will submit these budget requests by no later than August 31.

8. **Fixed Costs and Special Purpose Schedules** - Costs and schedules prepared by one agency which substantially affect the budgets of other agencies will be submitted by no later than July 7, 2006, by provider agencies to the OBPP, for example, ITSD, rent, grounds maintenance, agency legal services. Guidelines for submission of these schedules will be distributed May 1. By delaying the submittal date until July 7, it is expected that the final requests will be based on the best possible expenditure data. On Aug 4, the OBPP and requesting agencies will host informational workshops on the proposed fixed cost rates. The approved fixed cost and informational schedules, including any changes approved during EPP for the program providing the service, will be distributed to state agencies with the August budget request materials and will appear in the present law base in all other agencies. These schedules will be presented in the EB for legislative information.

Discussion of Present Law Base

Consistent with substantive law, for 2009 biennium budget development and analysis, the present law base will be **expenditures, funding and FTE required to maintain operations and services at the level authorized by the previous legislature, including legally-mandated workload, caseload, or enrollment increases or decreases, but excluding funding shifts** which must be new proposals in accordance with 17-7-102(9), MCA.

A. The present law base will include three adjustments common to all agencies statewide:

1. **Personal Services** - OBPP will prepare FY 2008 and FY 2009 personal services budgets to reflect HB 447, workers comp, unemployment insurance, FICA, retirement contribution rates, number of hours each fiscal year, longevity adjustments, and health insurance rates. Personal services schedules will be included in the present law base for current level positions that are authorized for FY 2007.
2. **Inflation/Deflation** - OBPP will develop independent inflationary/deflationary adjustments and develop recommendations on selected adjustments for inclusion in the 2009 biennium present law base.
3. **Fixed Costs** - Charges to agencies by other agencies will be allocated and funded by each agency in its August budget request. The following third-level expenditure accounts will be included:

<u>Account</u>	<u>Fixed Cost Item</u>
62104	DofA Insurance
62113	DofA Warrant Writing Fees
62114	DofA Payroll Service Fees
62122	Legislative Audit Fees
62148	DofA SABHRS costs
62174	DofA Data Network Fees
62307	DofA "Deadhead" Messenger Services
62527	DofA Rent
62770	DofA Grounds maintenance
62895	DofA State Funds Cost Allocation Plan (SFCAP)

In August, the OBPP will distribute a schedule showing the amounts by year for each expenditure code listed above that an agency will allocate to the adjusted base budget. Additional instructions will be provided at that time. **Do NOT prepare decision packages for these fixed costs during EPP.**

- B. All Other Adjustments** - Each agency will need to request all other present law decision packages (adjustments)--regardless of cost--related to workload increases or decreases, equipment needs based on replacement schedules or workload, and other functional adjustments. **All present law increases/decreases that differ from the base budget** [except the three statewide PLs outlined above] **are to be submitted by each agency during EPP.** [See the examples that follow.] These EPP requests may be adjusted based on actual experience/updated data as part of an agency budget request in August, when limited additional present law decision packages also may be submitted. In an effort to keep the present law adjustments consistent with substantive law, the continuing policy is that FTE increases or decreases related to workload decision packages will be submitted in EPP present law requests.

EPP Present Law Requests and New Proposals

For purposes of EPP, each agency will prepare and prioritize together at an agency-wide level, all present law increases/decreases and all new proposals. All changes to the base budget need to be submitted as decision packages. However, since the base budget will be only a projection until August, many of the adjustments requested during EPP will be “placeholder” projections. The purpose of the EPP is to develop a reasonable projection of the total budget in May-July. All approved and pending decision packages will be returned to an agency in August for final adjustment and refinement.

Some general guidance for the 2009 biennium budget is as follows:

- Requests that provide enhanced management or program efficiencies should be requested. They may or may not be approved, depending on the funding required and the revenues available from current sources.
- Initiatives that promote synergy between agencies and show innovation or improved efficiency are strongly encouraged.
- One-time-only requests may be budgeted, again, depending on the funding required and the revenues available from current sources.
- Program adjustments that provide a net biennial cost savings may be included, with documentation of the cost savings. If any of these decision packages require a law change, they must be new proposals.

The new proposals (NPs) and present law adjustments (PLs) will be submitted using the EPP module of the MBARS, as outlined in the following section. EPP requests must be prioritized for the entire agency, not by program. Each EPP request decision package will be attached to a RL4 string by the OBPP. Each EPP request must be coded either NP (new proposal) or PL (present law adjustment).

In addition, both an updated federal mandates form and a memo projecting the cost of any interim study recommendations will be submitted during EPP by April 30.

PL and NP requests developed during EPP may include but are not limited to:

1. **PL Adjustments** - Present law increases or decreases that currently are projected require a PL adjustment decision package (DP). **Group these adjustments into the largest, most logical common denominator packages.** The name for each request should be clear, unique by program, and communicate the subject to legislators. MBARS will enable all approved and pending PL adjustments to be copied into the agency version and returned to the requesting agency for review and modification during the August budget request time frame. Be prepared to answer questions regarding what is in your base budget, especially if there are material amounts for contracts, equipment, or other accounts.
2. **Funding Shifts** - If an agency will lose all or a portion of a state grant or federal special revenue and wishes to request a funding shift, this must be a NP prioritized item. If there is a recommendation for a statutory change, for example, to provide state special fee-for-service revenue to replace general fund, this is a NP. If a temporary funding shift of one-time monies was approved for the 2005 biennium to maintain or create a program, an EPP request for ongoing funding may be requested as a NP, in the event an effort will be made to make the program permanent.
3. **Modified FTE** – If you are requesting modified FTE established in the 2007 biennium and funded with HB 2 authority to become permanent, provide complete justification for the NP. Use the same position number that was approved in FY 2006 in your modified request.
4. **Program Revisions Linked to Legislation** – When a request is tied to a proposed law change that will require 2007 legislative action, it must be a NP and may be either a negative or a positive budget adjustment. New this biennium, the LFD and OBPP have agreed to include as much proposed legislation in HB 2 as possible. Please prepare EPP requests for budgetary impacts of proposed legislation. During the August Budget Request process, the approved DPs will be flagged with DP type that indicates it is tied to pending legislation. Including these requests in MBARS makes tracking the budget status at the statewide level much easier.

5. **Match Rate Changes** - If federal participation in mandated programs is changing, for example from 75 percent federal/25 percent general fund appropriated for FY 2007 to 60 percent federal/40 percent general fund for FY 2008-FY 2009, this would be a PL request. Medicaid is an example of a match rate change. Funding shifts in discretionary programs must be NPs.
6. **Contract Rate Changes** - Some ongoing contracts may require PL adjustment decision packages for rate increases/decreases for persons, businesses, and organizations providing services to the state. Provider rate increases will be NPs. A complete justification for the entire contracted services budget may be requested during the August Budget Submission process.
7. **Increasing Tuition Costs** - When tuition decisions of the Board of Regents affect non-university system Executive Branch agencies, this requires a PL request.
8. **Federal Medical Assistance Percentage (FMAP)** - For budgeting purposes, the following federal fiscal year projections are to be used:

	<u>General Fund</u>	<u>Federal Revenue</u>
FY 2008	31.73%	68.27%
FY 2009	32.35%	67.65%

These rates will be updated in the August Executive Budget instructions.

9. **Change Program Services** - If agency analysis indicates a more cost-effective manner to provide services, for example, changing from state employees to independent private contractors, from independent contractors to state employees, restructuring units/bureaus/ divisions, collocation of a regional office with another state agency, or combining regional offices, this type of change would likely be a PL. Likewise, some activities authorized by the last legislature were phased in, so the FY 2006 base budget does not reflect the full annualized operating expenses. A PL change package would be required for annualization.
10. **New Services/FTE** - All new services are to be requested during EPP. Any new FTE, whether related to a NP or a PL workload adjustment, must include the amount of full-time equivalency, classification title/grade/class code, and workers comp code. MBARS choices during EPP are Step 01 for entry or Step 13 for market. If market is selected, state the reason in the narrative justification. During August EB request preparation, an agency will more accurately select salary and the associated costs, and fund the DP.

For programs under the competency pay plan 20, during EPP select a dollar amount from the 20 available step increments that is your best estimate. If the request is approved or pended to move forward, during the EB preparation the agency will provide the entry rate for the job code pay range associated with the position and documentation to support the information.
11. **Phased-in 2007 Biennium Modifications** – The 2005 Legislature may have phased-in a program for the current biennium. You will need a PL request and justification to provide for operating expenses for the entire 2009 biennium, if the program will be ongoing. Adjustments to your PL likely will be required in August based on actual FYE data.
12. **Training Assignments** – No EPP request is required if your agency routinely uses training assignments for entry level. There will be an opportunity during the EB request to add a training assignment adjustment to the PL personal services total by program and to fund it, when it is known that such assignments are likely to roll into entry level during FY 2008 or FY 2009.
13. **Caseload/Workload Adjustments** - All legally-mandated workload adjustments to FY 2006 actual expenditure levels will be PL decision packages, for example, foster care, inmates, some inspections, some permit processing, public school enrollments, and Primary Care.
14. **Equipment** - A PL request will be required if a program needs replacement or workload equipment that exceeds the actual base budget from FY 2006. A NP (separate) request will be required if a

program has new, major equipment needs that most likely will be treated as one-time authority to purchase a significant item. Be prepared to answer questions regarding what is in your base budget, especially if there are material amounts for equipment. Also note that if the request is for IT equipment, then the additional requirements related to IT requests must be met.

15. **State Motor Pool Lease Vehicles** – Agencies with permanently assigned vehicles are encouraged to take advantage of the initiative started during the 1997 biennium. The OBPP survey of agencies during EPP will determine the numbers and types of permanently assigned state motor pool vehicles to be purchased by the Dept. of Transportation and leased to agencies in lieu of each agency purchasing and maintaining its own replacement vehicles. Every effort will be made to reduce or maintain the lowest possible rates that will be included in the August download, when agencies will use the 62510 expenditure account for recording motor pool leased vehicles in the August budget request.
16. **Already-approved Budget Amendments** - If information is available that a budget amendment (BA) will be continuing through the 2009 biennium and into the 2011 biennium, the projected request is to be submitted during EPP in accordance with 17-7-402(6), MCA.

The NP decision package request name should be clear. The BCD reference number, subclass number and name must be included in the narrative justification. If there are any FTE, the current SABHRS position number and attributes must be used.

Continue to submit all BA BCDs as soon as possible throughout budget development and the legislative session.

A. Processing BA BCDs up until the Legislature Convenes (January 3, 2007)

IF: This is a one-time award that will not extend beyond September 30, 2007.

THEN: Agency and OBPP do not need to put any authority into HB 2 (General Appropriations Act) or HB 4 (Budget Amendment Bill). 17-7-402(1)(f) allows the budget amendment to extend to the end of the federal fiscal year.

IF: This is a one-time award that goes past the end of the federal fiscal year (September 30, 2007), but does not continue beyond the federal FY2009.

THEN: OBPP will include language in HB 4 for "...all remaining federal authority from FY 2007 can continue into FY 2009."

IF: This is an award that extends beyond the 2009 Biennium.

THEN: The agency should request the amount in MBARS for HB 2.

Again, continue to submit all BA BCDs as soon as possible throughout the legislative session.

B. Processing BA BCDs after the Legislature convenes but before Senate Finance Claims Meets (approx. April 6, 2007)

For all BAs received during the legislative session, regardless of duration. OBPP will draft an amendment to HB4, and HB2 if necessary. BCDs will not be processed until after the Governor has signed HB 4. If an agency receives a federal award during the legislative session and does not submit a BA BCD for inclusion in HB 4, OBPP can not approve or process the BCD after session.

C. Processing BA BCDS after Senate and Finance Committee Meets on HB 4 (approx April 6, 2007)

Submit BCDs as usual. Agency may not have had knowledge of award prior to this date, or OBPP can not approve the BCD.

17. **Reauthorization of an OTO** - If a program, activity, or funding for a function sunsets, an EPP request will be required for reauthorization consideration. **If the sunset provision is in HB 2 or another appropriations bill, for example an OTO designation, and there is ongoing statutory authority**

for the function, the request would be a PL adjustment. If the sunset provision is in substantive law, then a NP would be required, together with a related legislation concept request. A reauthorization request with FTE should include the current position number and the amount of full-time equivalency, classification title/grade/class code, and workers comp code.

Writing Narrative for PL and NP Decision Packages

Please follow the narrative style sheet, which is Attachment 1. Use the MBARS “**EPP Request Justification**” screen to complete the required narrative.

Begin with a paragraph that states what, where, when, why, who, and how of the item(s) proposed. The cost or savings should be stated as a total biennial amount with an indication of how much general fund, if any, supports the DP. Please write this paragraph clearly and concisely, much like the lead in a newspaper article.

In the second and following paragraphs, include additional information that explains the development of the request, detailed justification, the demographics, the funding details, and whatever else will provide an explanation of the request, how it relates to mission and goals, what will occur if the item is not approved, and so forth. Categorization and justification of requests that are based on program needs will have more meaning to legislators and will have a better chance of favorable consideration than those listing account expenditure categories. Statistics, charts or other information that do not copy into MBARS may be sent by e-mail.

For all approved and pending DPs, the request justification will be sent back to the agency in the FYE 2006 download as DP “**Narrative**” in August. The EB instructions may contain some additional information on finalizing the narrative.

For each DP included in the executive budget, there also will be a narrative description in the LFA Budget Analysis. The LFD would prefer to use the DP description written by the agencies. That will only be possible if the narrative is written in an informative style that follows the instructions above. If an agency has questions regarding narrative content that will be most supportive of its requests, contact either or both your OBPP and LFD analysts.

FTE Screen Technical Details

The EPP FTE screen in MBARS will provide you with an approximate FTE cost. **Do NOT spend time trying to fine-tune FTE costs during EPP.** The EPP defaults include: (1) All salaries in the system are calculated on a 2,080 hour fiscal year using FY 2007 rates for both years; (2) The Worker's Compensation rates are projected and will be changed in August to reflect the final estimated amounts; and (3) All retirement calculations are defaulting to the PERS rates. The correct rates for all of these items and the UI and other rates will be in place when the budget development download is sent in August.

Please follow the eight (8) steps below to complete an FTE request:

1. **Position Numbers** – New positions require an eight-digit number, the first three of which are the HR system agency code and the fourth digit should be “9”. If a position already exists in SABHRS, use the SABHRS position number. A position number can ONLY be used once in an agency. If dividing a position between programs, assign a different position number in the second program.
2. **Down Arrows** – These must be used to open the drop-down boxes. Do not key any data into these spaces; only make choices from the drop-down lists. All other entries will be invalid. There are drop-down boxes for pay plan, grade, step, WC code and class code.
3. **Pay Plan Drop Down Box** – Select one of the following choices within the drop-down box: (1) 20 = competency pay; (2) 30 = Judicial Branch; (3) 60 = Executive Branch; (4) 61 = exempt; (5) 62 = blue collar; (5) 63 = Legislative Branch; (6) 64 = teachers; (7) 65 = State Fund; and (8) 68 = IT and certain engineers.
4. **Step Drop-Down Box** – Select Step 01 entry or Step 13 market for all new positions (exceptions: pay plan 20, choose from 20 steps; pay plan 62, choose step 02).
5. **Workers’ Comp Code** – Choose the appropriate comp code for the type of anticipated work of this

- FTE, consistent with the codes used by your agency.
6. **Class Code Drop-Down Box** – Select the correct position class code associated with the grade requested. The choice in this box will populate the “Class Title” field. During EPP, for all seven pay plans, all class codes and titles are “Not Yet Classified”.
 7. **FTE Yr 1 and Yr 2** – Positive and negative FTE amounts can be entered in either year. When an agency is adding several FTE that are all the same grade and same type of work, the FTE are to be aggregated, up to a maximum of 99.99 FTE for one position for each grade. Populate these FTE Yr 1 and Yr 2 fields to indicate the total. FTE amount defaults to hundredths (2 digits to the right of the decimal).
 8. **Calc payroll** – Click the “calc payroll” button. The calculated amount will automatically post to account 1099 on the EPP Request Resource Requirements Screen. If there are other personal services items to be requested, use account 1098.

Information Technology Special Provisions

IT provisions were changed significantly by passage of the Montana Information Technology Act (MITA). There are three specific points for the budget per se:

1. **NP for IT** – “New investments” in information technology can be included in the Governor’s budget only if the project is contained in the approved agency information technology plan as required in 2-17-523, in accordance with 17-7-111(3)(g), MCA. Please include a reference to your agency plan in any new proposal narrative.
2. **IT Project Budget Summary** – The OBPP is required to prepare, in cooperation with the Department of Administration ITSD, a statewide summary of *major* new IT projects contained in the state budget. The project summary must include:
 - A listing by agency of all major new IT budget requests included in the state budget, with (a) description of what would be accomplished by funding the request, (b) the proposed amount of the request, (c) the funding source(s) for the request, and (d) the proposed annual cost of operating the new information technology systems. **You will need to address each of these four points in your narrative for each new, major IT request, which should be a summary of the information provided in your agency’s IT plan. Section 9 of the instructions at <http://itsd.mt.gov/stratplan/agencyplans.asp> describes the information required for the agency IT plan.**
 - A listing of internal service rates proposed for providing IT services, with (a) description of the services provided and (b) a breakdown, aggregated by fund type, of requests included in the state budget to support the rate.
3. **Statewide Summary of Budget Recommendations** – The OBPP also is to prepare a statewide summary of proposed expenditures on IT resources by funding, program and decision package.

For current planning purposes, the definition of a major new IT request that equals or exceeds (1) \$300,000 in total project costs, including costs to be incurred in subsequent biennia, *or* (2) \$50,000 in total projects costs *and* 25% of the IT base year expenditures of the agency – whichever is less. Total project development costs include new appropriation requests, anticipated use of current operating expenses (IT personal services, hardware, software, and associated services), grants, special fees, and other sources of funds.

Total projects costs may include many of the following items. Do not overlook recurring costs after the first year such as maintenance and hardware replacement. Project management, independent verification and validation and contingency costs may increase overall project costs by 50% for large complex projects.

State Staff

- Technical IT staff time required for installation, customization, training and ongoing support. Include systems administrators, programmers, help desk, operations, analysts, project managers, IT managers, etc.

- User staff time required for documenting procedures, defining new business processes, testing, training and conversion
 - New FTEs required as part of the project to support application or environment, or to perform the new business functionality.
- Contractors and Consulting Services
- Contracts and Statements of Work (SOW)
 - Project managers (typically 10-15% of total project costs)
 - Independent Verification and Validation (IV&V may be 5%-15% of total project costs)
 - Contingency funds (10%-35% of total project costs)
 - Implementation or conversion charges from ITSD
- Software
- Licenses for operating systems, applications, utilities, performance management, backup, security, monitoring, etc.
 - Licenses for desktop software, desktop management software,
 - Maintenance for operating systems, applications, utilities, performance management, backup, security, monitoring, etc.
 - Maintenance for desktop software, desktop management software, patch management software
 - Software upgrades that will be required in the analysis period
 - Termination charges
- Hardware
- Servers and peripherals including disk space, optical storage, printers, and tape drives
 - Maintenance charges for servers, SANs, peripherals
 - Upgrade/replacement charges on hardware that will be replaced with the analysis period
 - New laptop and desktop PCs
- Telecommunications
- New ITSD port charges
 - New line charges
 - Cell phones, PDAs, Blackberries
 - LAN wiring and re-wiring
- Hosting Expenses
- DOA/ITSD charges
 - Service bureau charges
- Services
- Training classes
 - Travel and living expenses for contractors and state staff
 - Cell phone service
 - Disaster recovery services necessary to protect the application or system
 - Shipping charges
 - Transaction fees
- Supplies
- Consumable supplies: tapes, paper, ink cartridges

NEW!! If an agency will have a major IT request that involves customized software, services, or hardware, the agency is required to prepare and issue a Request for Information (RFI), and use the results of the RFI in developing the budget request. Agencies should work closely with the Department of Administration – Information Technology Services Division (ITSD) in development of requests for high-risk and high expenditure IT projects. ITSD and OBPP will work cooperatively together in evaluating requests for IT projects and resources and copies of the RFI results will be requested.

For your information, the OBPP will use the SABHRS 66 IT expenditure accounts to prepare the statewide summary of all budget recommendations. Please make every effort to ensure accurate coding of your base year expenditures using these 66 accounts.

Federal Mandates Report

Title 2, Chapter 1, part 4, MCA, the Federal Mandates Act, requires state programs to implement federal statutes and, at the same time, to challenge and scrutinize the extent and scope of authority asserted by federal agencies that may be inconsistent with Montana policy. Two years ago the OBPP surveyed state agencies regarding federal mandates and used that information to publish the report required in 2-1-407, MCA, for the 59th Legislative Assembly.

In an effort to make this task as easy as possible, we have designed a two-part survey in Excel and saved in **Guest\Federal Mandates\template.xls**. You may use your response (if any) from last session as a starting point in the file **Fed_Mandates_FY05** to copy into your survey and edit or amend as necessary. Save your survey in **Guest\Federal Mandates\XXXX\XXXX-FM.xls** where XXXX is your four-digit agency code.

The survey is in two parts. **Section A** is a list of the federal mandates and an estimate of the annual cost to your agency. Designate with an asterisk if the cost is one-time. Please edit what has been copied into the form from your last response; add to the list and delete those that no longer apply. If you have no federal mandates, please indicate none. If you will have an EPP present law adjustment or a new proposal due to one of these federal mandates, please note that as well.

Section B is for you, first, to recommend any changes to state statutes that would create savings or mitigate federal mandates if enacted by the next legislature. If none, please indicate. Second, please indicate any savings that have been achieved by your agency through the development of state policies that meet the intent of applicable federal statutes but do not necessarily meet all federal guidelines or policies.

We request that you go to the guest directory and complete this one-page form **by May 1** with your EPP submission.

For your background reference, the OBPP defines the term federal mandate based upon the federal **Unfunded Mandate Reform Act of 1995** which states:

"The term 'Federal intergovernmental mandate' means...any provision in legislation, statute, or regulation that

- (i) would impose an enforceable duty upon States, local governments, or tribal governments...;or
- (ii) would reduce or eliminate the amount of authorization of appropriations for Federal financial assistance that would be provided to States, local governments, or tribal governments for the purpose of complying with any such previously imposed duty unless such duty is reduced or eliminated by a corresponding amount; or...
- (iii) would increase the stringency of conditions of assistance...; or
- (iv) would place caps upon, or otherwise decrease, the Federal Government's responsibility to provide funding...; and
- (v) the... governments that participate in the Federal program lack authority under that program to amend their financial or programmatic responsibilities to continue providing services that are affected by the legislation, statute or regulation."

EPP Interim/Study Committee Cost Projections Memo

During the EPP, it is important for agencies and the OBPP to continue planning in anticipation of reports and recommendations from interim committees and advisory councils that will be completing studies later in the year. We are requesting a memo from all agencies that are working with any such interim committees to provide your "best-guess" cost outcome that may be anticipated, whenever there could be a 2009 biennium fiscal impact. Please attach this memo to your May1 completion e-mail.

Submission of EPP Requests and Information

Submitting EPP

Send an e-mail message to your executive budget analyst with a copy to Jeanne Nevins at the OBPP when your MBARS work is complete and the E02 Version has been submitted. The deadline is May 1, 2006.

Include in or attach to the message:

- any statistical backup or other justification that could not be copied into MBARS;
- notice that the Federal Mandates Report survey has been updated and saved on the guest directory;
- Memo on Interim/Study Committee Cost Projections
- Copies of RFI responses for Information Technology Requests

The electronic MBARS copy will be the official copy of all EPP submitted requests. There will be an OBPP working version. In addition, your electronic copy as submitted will be available in a read-only public version for state agencies, the media, legislators, and interested persons.

t:\09B\Memos\Memo 3 – EPP Instructions.doc